

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2373 - HB 2496

March 17, 2022

SUMMARY OF BILL: Expands the sales tax exemption for purchases of certain reading materials by expanding the definition of a textbook to include any reading material that is required for a course by any high school, secondary educational institution, or postsecondary education institution, and is purchased by a student with a valid student identification card and a valid, current course syllabus containing the name of the reading material.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$607,700/FY22-23 and Subsequent Years

Decrease Local Revenue – Net Impact – \$248,000/FY22-23 and Subsequent Years

Assumptions:

- For the purposes of this analysis, it is assumed every current college and high school student in the state of Tennessee will purchase one type of reading material a year that falls under the expanded definition of textbook.
- As of Fall 2020, there are 306,855 students enrolled in high school in Tennessee.
- As of Fall 2020, there are 219,657 students enrolled in a public community college or university.
- There are an estimated 103,966 students enrolled in a private institution of higher education; therefore, the estimated number of students that would qualify for a sales tax exemption under the expanded definition of textbooks is 630,478 (306,855 + 219,657 + 103,966).
- For the purposes of this analysis, it can be reasonably assumed that reading materials falling under the updated definition of textbook are \$15 each.
- Taxable sales for reading materials falling under the expanded definition of textbook are estimated to be \$9,457,170 (630,478 x \$15).
- A state sales tax rate of 7.0 percent; average local option sales tax of 2.5 percent; and local apportionment of the state sales tax of approximately 3.617 percent.
- The decrease in state sales tax revenue is estimated to be \$638,057 [(\$9,457,170 x 7%) – (\$9,457,170 x 7% x 3.617%)] in FY22-23 and subsequent years.
- The decrease in local sales tax revenue is estimated to be \$260,374 [(\$9,457,170 x 2.5%) + (\$9,457,170 x 7% x 3.617%)] in FY22-23 and subsequent years.
- Fifty percent of tax savings, or \$449,216 [(\$638,057 + \$260,374) x 50%], will be spent in the economy on other sales-taxable goods and services.

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- The increase in state sales tax collections is estimated to be \$30,308 $[(\$449,216 \times 7\%) - (\$449,216 \times 7\% \times 3.617\%)]$ in FY22-23 and subsequent years.
- The increase in local sales tax collections is estimated to be \$12,368 $[(\$449,216 \times 2.5\%) + (\$449,216 \times 7\% \times 3.617\%)]$ in FY22-23 and subsequent years.
- The net recurring decrease in state revenue as a result of the proposed legislation is estimated to be \$607,749 $(\$638,057 - \$30,308)$ in FY22-23 and subsequent years.
- The net recurring decrease in local revenue as a result of the proposed legislation is estimated to be \$248,006 $(\$260,374 - \$12,368)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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